unspecified method involving the comparison of the physical locations of the calling and called party. If Verizon's approach were adopted, Verizon would intend to bill switched access charges on calls that, from the calling party's perspective, are local. The ultimate outcome Verizon is seeking is to insulate their Foreign Exchange (FX) service from competitive offerings by CLECs.

Q. Does Verizon support it's belief that the physical locations of the parties should be utilized to determine the jurisdiction of a call?

A. No, it does not. At page 5 of Verizon's Direct Testimony, Verizon boldly makes the unsubstantiated claim that "The physical locations of the caller and the called party must be used to determine whether a call is eligible for reciprocal compensation under § 251(b)(5) of the Act." This is simply not true. Such a requirement is not to be found in the current interconnection agreement, in existing FCC Orders, or in the Telecommunications Act of 1996. What Verizon advances as a requirement is simply its own opinion.

Q. You describe determining jurisdiction of a call based on the NPA-NXXs of the called and calling parties as the traditional method of making this determination. Has any state adopted a method other than use of NPA-NXXs for purposes of identifying toll vs. local traffic?

A. No. Not a single state has implemented a different method of distinguishing between local and toll traffic. All traffic continues to be put through a process that compares the NPA-NXX of the calling party to the NPA-NXX of the called party. If this

comparison identifies the call as toll it is treated as toll. If the comparison identifies the call as local, it is treated as local. Every carrier in the country, to include Verizon, adheres to this standard procedure.

Q. Has the commission identified the differences in circumstances when reciprocal compensation applies and when access charges would apply?

A. Yes. At paragraph 1034 of the Local Competition Order the Commission stated as follows:

> Access charges were developed to address a situation in which three carriers – typically, the originating LEC, the IXC, and the terminating LEC – collaborate to complete a long-distance call. As a general matter, in the access charge regime, the long-distance caller pays long-distance charges to the IXC, and the IXC must pay both LECs for originating and terminating access service. By contrast, reciprocal compensation for transport and termination of calls is intended for a situation in which two carriers collaborate to complete a local call. In this case, the local caller pays charges to the originating carrier, and the originating carrier must compensate the terminating carrier for completing the call.

The FX service of such concern to Verizon is clearly a circumstance where two carriers are collaborating to complete a local call and not where three carriers, two LECs and an IXC, are collaborating to complete a long-distance call. As Verizon describes, FX traffic involves calls originating on the local network of one LEC and terminating on the local network of another LEC. There is no IXC involved.

Q. Can you provide additional support for this distinction between local and toll service?

A. Yes. The definitions of local, or exchange service, and toll service found in Title 47 of USC provide further support that FX traffic is not toll traffic. 47 U.S.C. § 153 (47) defines telephone exchange services as follows:

> The term "telephone exchange service" means (A) service within a telephone exchange, or within a connected system of telephone exchanges within the same exchange area operated to furnish to subscribers intercommunicating service of the character ordinarily furnished by a single exchange, and which is covered by the exchange service charge, or (B) comparable service provided through a system of switches, transmission equipment, or other facilities (or combination thereof) by which a subscriber can originate and terminate a telecommunications service."

On the other hand toll service, at 47 U.S.C. § 153 (48) is defined as follows:

> The term "telephone toll service" means telephone service between stations in different exchange areas for which there is made a separate charge not included in contracts with subscribers for exchange service.

Under these definitions FX traffic cannot be placed in the jurisdiction of toll service. The Verizon local service subscriber placing a call to a Verizon assigned FX number does not incur a separate charge beyond the charges for the local exchange service. In fact, consistent with the definition of telephone exchange service, the ability to originate calls to FX numbers is included in the local exchange service charge. Verizon appears intent on punishing its own end users for calling a subscriber to a *competitive* FX

offering based on its incorrect assertion that this is toll traffic. At page 8 of the testimony Verizon complains that it is "unable to bill these toll charges to the originating customer...." Again, this would not be Verizon's intention if the originating customer were calling a subscriber to Verizon's FX offering.

Q. Has the commission determined that the physical locations of the calling and called parties are the test as to what determines whether a call is local or toll?

A. Absolutely not; it has left that determination to the states. The Commission, at paragraph 1035 of the Local Competition Order states that "state commissions have the authority to determine what geographic areas should be considered 'local areas' for the purpose of applying reciprocal compensation obligations under section 251(b)(5), consistent with the state commissions' historical practice of defining local service areas for wireline LECs."

Q. Is Verizon's FX service categorized as local exchange or interexchange by the Virginia commission?

A. While the Virginia Commission has not addressed this issue in the context of an arbitration or generic proceeding, it has approved the Verizon FX service offering which is found in the Verizon Virginia, Inc. Local Exchange Services Tariff, S.C.C. VA. No. 202, at Section 4.a. Here Verizon defines its own FX service as "exchange service furnished from one exchange to a location in another exchange..." Verizon's FX service is not found in Verizon's access or long distance tariffs.

Accordingly, with regard to FX service in Virginia, the Commission has approved Verizon's offering and provisioning of that service as local service.

Q. Verizon characterizes the CLEC position on this issue as a "gaming scheme," do you agree?

A. No. It is Verizon that is proposing to change the historical method of determining the jurisdiction of traffic based on the NPA-NXXs of the calling and called parties. Verizon's proposal is a departure even from its own method of determining jurisdiction. In Verizon's Long Distance Services Tariff, S.C.C. Va. No. 209, Section 2A, Part C (1) Verizon indicates as follows: "Rates for service between points are based on the airline mileage between rate centers" (Emphasis added). The applicable rate centers (and the associated distances) are determined not based on the physical location of the customer but rather based on the NPA-NXXs assigned to the called and calling parties. Verizon does not look at the street addresses (i.e., physical location) of the customers involved in a particular call, they look at the NPA-NXXs, identify the rate centers to which the calling and called NPA-NXXs are associated, and, if those rate centers are not within the local calling area of each other, they calculate airline mileage based on the V&H coordinates associated with the rate centers.

It is exactly this comparison of NPA-NXXs that allows Verizon to treat its own FX traffic as local. If Verizon were making its jurisdictional determination based on the physical location of the calling and called parties, it would be having to segregate its own FX traffic from all of its toll traffic in order to not bill toll charges. This is clearly not Verizon's practice. In fact, WorldCom believes that in the instance of calls originated

from WorldCom end users to Verizon assigned FX numbers, such calls are not only treated by WorldCom as local, but Verizon bills WorldCom for reciprocal compensation for the transport and termination associated with such FX calls.

WorldCom's proposal ensures that the historical method of determining jurisdiction remains consistent among all parties. Verizon's proposal establishes a new, unique method for its CLEC competitors while allowing Verizon to continue with the standard methodology. Such unequal treatment should not be allowed.

Q. At page 6, and elsewhere in the testimony, the Verizon witness indicates that a CLEC's offering of FX service requires Verizon to bear the costs of transporting the traffic to the CLEC switches. Please comment.

A. Verizon's responsibility is to deliver traffic originating on its network to the point of interconnection (POI) with the CLEC network, not with the CLEC's switch. A CLEC must establish at least one POI per LATA, regardless of where the CLEC's switch is located. With FX service, Verizon's responsibility is no different, and does not burden Verizon with any additional costs than are involved with the delivery of any other local traffic to the POI(s). Verizon also wrongly portrays its network as the only one involved in providing transport for FX traffic.

The WorldCom local network in Virginia is served by two switches. One is located in Washington, D.C. and the other in Reston, VA. WorldCom has established two POIs in Virginia to which Verizon delivers traffic destined for the WorldCom local switches. One POI is located in Arlington, Virginia, and the other in Winchester,

Virginia. The switch in Washington, D.C. is interconnected with both of these POIs, and the Reston switch is interconnected with the Arlington POI.

Take as an example, a customer located in the same rate center as the Washington, D.C. switch that wants a foreign presence in the Leesburg rate center. In this instance WorldCom would provide the customer a telephone number from an NPA-NXX that is assigned to the Leesburg rate center. Once established, a call placed by a Verizon customer located in the Leesburg rate center to the FX telephone number would be routed by Verizon to the Winchester POI. The distance, based on the aforementioned V & H coordinates, from the Leesburg rate center to the Winchester POI would be approximately 36 miles. Once Verizon delivers the call to the Winchester POI, its network responsibility is over and the call is then routed onto the WorldCom transport network. The distance from the Winchester POI to the Washington, D.C. switch is approximately 69 miles. WorldCom is transporting this call almost twice the distance as Verizon. It should also be noted that if this were not an FX call and the called party was actually located in the Leesburg rate center, Verizon would deliver that call to the same Winchester POI and incur the same transport costs. Verizon has not supported its assertion that it is incurring excessive transport costs and, as this example makes clear, there is no such "additional" burden.

Q. Based on WorldCom's current network configuration, can you quantify the amount of transport that Verizon is providing for traffic that originates on its network that is delivered to the points of interconnection with WorldCom?

A. Yes. Based on July 2001 traffic and the current points of interconnection that have been established between the Verizon and WorldCom networks for exchange of

Virginia local traffic, on average Verizon is transporting traffic approximately 10 miles. This was calculated based on the V&H coordinates associated with each of the rate centers from which Verizon customers originate local calls to WorldCom customers and the V&H coordinates of the two points of interconnection in Virginia.

Because WorldCom's proposal is to maintain the current method of determining jurisdiction by comparison of the NPA-NXXs associated with the call, the average transport distance being experienced by Verizon will not change. Verizon's unsubstantiated claim of a tremendous "transport burden" entirely lacks merit.

Q. Verizon also complains that it is losing toll revenues by not being able to bill its originating customers for calls to FX numbers. Is this a legitimate concern?

A. No. The very point of this service is to provide end users a local calling number for a particular business. Verizon incorrectly assumes that this same traffic would exist even if it required a toll call. But if the originating caller is looking to call a local number for the service he seeks, it is highly unlikely that he would instead dial a toll number (which would allow Verizon to bill its toll charges). Far more likely, the customer would simply find a vendor with a local number and place that call instead. Verizon is not losing toll revenues.

Q. Verizon expresses concern for the use of numbering resources in conjunction with FX service. Please comment.

A. Verizon, consistent with its desire to eliminate competition with its own FX service, suggests that because CLECs utilize NPA-NXX assignments in the provision of

FX service, CLECs should be prohibited from making such a competitive offering available. Verizon ignores that its own use of numbering resources for the provision of FX service raises the same concerns. Obviously, numbering resources must be conserved and utilized efficiently. Implementation of conservation measures for numbers and efficient management practices must be adopted by all parties. However, elimination of a competitive offering is an unacceptable and counter productive method of conserving numbers. Taken to its logical conclusion, the best way to conserve numbers would be to prohibit ALL local competition. But the Telecommunications Act of 1996 requires Verizon to make available to competitors the same capabilities that it makes use of itself.

Q. Does the Maine PUC order cited by Verizon provide results that should be supported by this Commission?

A. No. The Maine Commission identified a pressing problem with number exhaust in the state of Maine. The decision it reached was driven by that concern, at the expense of the competitive market in Maine. While determining that the FX service being offered by Brooks Fiber was not local, the Commission realized that competition was important to allow customers to reach their Internet Service Providers.[2] Having a statutory obligation to ensure that end users across the state of Maine had affordable access to the Internet, the Maine Commission directed Verizon to create a service offering for ISPs that would replace the service being offered by Brooks.

As of this date (some two and a half years since the investigation was opened) Brooks, with the authority of the Maine Commission, continues to provide its FX service

[2] As indicated in my direct testimony, the FCC's recent ruling establishing an interim compensation mechanism for traffic to ISPs may limit the amount of traffic considered under this issue.

to its existing customers on a grandfathered basis during the pendency of Verizon's continuing efforts to develop and implement an acceptable substitute service.

The impact on the competitive market is best expressed by one of the Brooks FX customers in its recent filing with the Maine Commission for an investigation into Verizon's implementation of its substitute service. In its filing, Great Works Internet concludes:

> GWI is concerned that the cost of this service will be much more costly than promised and that GWI will not be able to maintain its commitment to quality, which it has long enjoyed while using Brooks for its dialup infrastructure. And most troublesome of all, is the fact that GWI was forced into a position where it has only one choice for its dialup infrastructure. By action of the MPUC under 98-758, there is no longer any competition for VZ-ME in the ISP service arena. GWI is quite confident that VZ-ME's commitment to quality and customer service will further erode.

The negative impacts on the competitive market associated with Verizon's proposal are accurately portrayed by GWI. The Maine decision, instead of supporting Verizon's position, is illustrative of how a refusal to permit competitive FX services eliminates competition in the local service market.

Q. Please comment on the additional state decisions cited by Verizon.

A. Verizon's cites are selective. Contrary to Verizon's statement that "To date, no state has agreed with the CLEC's position," many states have done just that.

As I cited in my Direct Testimony, the California PUC, in Order Instituting Rulemaking on the Commission's Own Motion Into Competition for Local Exchange

Service, Rulemaking 95-04-043 (Decision 99-09-029, September 2, 1999), has addresses this issue and found in favor of the CLEC's position as follows:

> Carriers should not be prohibited from designating different rating and routing points for call destinations since such a prohibition could undermine the incentives for carriers to develop innovative service alternatives in the most economically and technologically efficient manner.
>
> * * * *
>
> As discussed below, we conclude that the rating of calls as toll or local should be based upon the designated rate center of the NXX prefix of the calling and called parties' numbers. Even if the called party may be physically located in a different exchange from where the call is rated, the relevant rating point is the rate center of the NXX prefix."
>
> * * * *
>
> For purposes of considering the issue of call rating, it is not necessary to deliberate at length over whether Pac-West's service conforms to some particular definition of 'foreign exchange service' based upon specific provisioning arrangements. Although the Pac West form of service differs from certain other forms of foreign exchange service in how it is provisioned, the ultimate end-user expectation remains the same, namely to achieve a local presence within an exchange other than where the customer resides. From the end-use customer's perspective, Pac-West's service is a competitive alternative to other forms of foreign exchange service."

The Kentucky Commission, in Case No. 2000-404, dated March 14, 2001, an arbitration decision regarding BellSouth and Level 3, has similarly found in favor of the CLEC as follows:

Both utilities offer a local telephone number to a person residing outside the local calling area. BellSouth's service is called foreign exchange ("FX") service and Level 3's service is called virtual NXX service. The traffic in question is dialed as a local call by the calling party. BellSouth agrees that it rates such foreign exchange traffic as local traffic for retail purposes. These calls are billed to customers as local traffic for retail purposes. These calls are billed to customers as local traffic. If they were treated differently here, BellSouth would be required to track all phone numbers that are foreign exchange or virtual NXX type service and remove these from what would otherwise be considered local calls for which reciprocal compensation is due. This practice would be unreasonable given the historical treatment of foreign exchange traffic as local traffic.

Accordingly, the Commission finds that foreign exchange and virtual NXX services should be considered local traffic when the customer is physically located within the same LATA as the calling area with which the telephone number is associated.

The Michigan Commission, in its response to Ameritech Michigan's request to, among other things, exempt foreign exchange service from payment of reciprocal compensation (Case No. U-12696, January 23, 2001), also found in favor of the CLEC position as follows:

The Commission rejects the proposal to reclassify FX calls as non-local for reciprocal compensation purposes. Ameritech Michigan has not explained whether, or how, the means of routing a call placed by one LEC's customer to another LEC's point of

interconnection affects the costs that the second LEC necessarily incurs to terminate the call. As a matter of historical convention, the routing of that call, i.e., whether or not it crosses exchange boundaries, has not been equated with its rating, i.e., whether local or toll. Moreover, the discretion that CLECs exercise in designing their local calling areas is a competitive innovation that enables them to provide valuable alternatives to an ILEC's traditional service. The Commission finds no reason to change these standards, particularly if the end result would be an unnecessary restriction on the services that customers want and need. Moreover, the application does not address how the carriers would make the necessary changes to their billing systems or whether the changes would be technically feasible at an affordable cost for both Ameritech Michigan and the CLECs.

While the Verizon witness cites a North Carolina decision in a BellSouth / AT&T arbitration, that decision appears to deal with transport of traffic to the POI generally, rather than in the context of FX traffic specifically. Verizon fails to mention the North Carolina decision in the BellSouth / MCImetro arbitration (Docket No. P-474, Sub 10) which addresses the provision of FX service. Again, finding in favor of the MCImetro position, the Commission stated:

The Commission notes that NPA/NXX codes were developed to rate calls and, therefore, MCIm's assertion that whether a call is local or not depends on the NPA/NXX dialed, not the physical location of the customer, is reasonable and appropriate.

In sum, there are many state commissions that have supported the position being advanced by WorldCom in this proceeding to the benefit of the competitive markets in their respective states. The Commission's decision in this proceeding should convey those same benefits to the state of Virginia.

Q. What resolution does WorldCom recommend to the Commission on this issue?

A. The Commission should adopt WorldCom's language with regard to assigning NXXs within the LATA in a manner that provides for rating points different from routing points and to conclude that the appropriate method for determining the jurisdiction of this traffic is to compare the rate centers associated with the calling and called NXXs. This resolution will permit WorldCom to offer competitive FX service to their customers on non-discriminatory terms.

Additionally, for the reasons stated above and in my Direct Testimony, Verizon should be required to pay reciprocal compensation to WorldCom for transport and termination of this traffic.

Verizon's proposed resolution of this matter, on the other hand, would not allow CLECs to assign NXXs in such a manner as to provide local FX service. Verizon refuses to recognize this as local traffic and insists on applying originating access charges as well as refusing to pay reciprocal compensation to WorldCom. Verizon proposes to treat CLECs FX service differently than Verizon treats its own retail FX service. The Commission should reject this discrimination.

Issues III-1, III-2

Is Verizon obligated to accommodate indirect interconnection between Telecommunications Carriers by providing transit service?

Q. The Verizon Panel says that the Act requires each carrier to interconnect with the facilities of another requesting carrier. Please comment on this.

A. The Act imposes upon each carrier the duty to interconnect directly or indirectly. The Act does not impose upon new entrants a duty to interconnect directly with other new entrants, as Verizon suggests. Indeed, the Commission has noted specifically that direct interconnection is not required of all carriers and that two non-incumbent LECs could interconnect with one another indirectly via interconnection with an incumbent LECs network.[3]

Q. The Verizon Panel says that Verizon must limit transit traffic to prevent tandem exhaust. Please comment on this.

A. Verizon has offered no evidence establishing that transit traffic contributes in any significant way to tandem exhaust. Moreover, Verizon has only identified three near term tandem exhausts in the State of Virginia. Verizon has indicated that it will deploy new tandems to address this situation. There is no need to place an arbitrary DS-1 limit on transit traffic, as Verizon proposes.

Q. The Verizon Panel says that new entrants should interconnect directly with other carriers once transit traffic volumes reach a DS-1 level. Do you agree?

A. No. WorldCom has every incentive to interconnect directly with carriers when it is efficient to do so, and does so when traffic volumes so warrant. The DS-1 limitation on transit traffic proposed by Verizon is arbitrary. It represents a small volume of traffic

(24 conversations) and will impose great inefficiencies on CLEC networks. The cost of a physical interconnection between two companies for one DS-1s traffic would be disproportionate for that small level of demand. Verizon's proposal would create many small scale, but high cost per circuit, duplicate networks. There should be no arbitrary limits placed on transit traffic, particularly given the explicit reference in the Act to indirect interconnection.

Q. Please describe Verizon's proposal with respect to the charge for transit traffic?

A. The Verizon Panel indicates that Verizon will charge TELRIC-based rates, i.e., a tandem switching charge, for transit traffic up to a DS-1 level. However, it asserts that there would be two additional charges, which are not based on TELRIC, for transit traffic above the DS-1 level.

Q. Please comment on Verizon's proposal.

A. There is no basis for different charges to apply when transit traffic is greater than, as opposed to less than, the DS-1 level. The cost to provide the transiting function -- the cost of tandem switching -- is the same whatever the volume of the transit traffic is. The TELRIC-based tandem switching rate fairly reimburses Verizon for the cost of the tandem switching function. Also, Verizon has provided virtually no explanation concerning the derivation of these charges.

[3] Local Competition Order, ¶ 997.

Q. What justification has Verizon offered for these charges?

A. Verizon has said that these charges are intended to make Verizon VA whole and to supply new entrants with an incentive to enter into separate interconnection agreements.

Q. Please comment on this justification.

A. The TELRIC based tandem switching charge by definition will make Verizon whole for the tandem switching function provided. The idea that non-cost-based charges should be imposed to provide new entrants with an incentive to enter into multiple interconnection arrangements with one another is unlawful. The Act specifically provides for indirect interconnection between new entrants and does not require the multiple interconnection agreements sought by Verizon. Departures from TELRIC are not permitted to create incentives to deter interconnection.

Issue III-3

Does MCIW have the right to require interconnection via a Fiber Meet Point arrangement, jointly engineered and operated as a SONET Transmission System (SONET ring)?

Q. Please comment on Verizon's general description of a midspan fiber meet point interconnection arrangement?

A. Verizon accurately describes this form of interconnection as one in which "Verizon VA and the CLEC generally share equally the costs to build the facility and equally split the capacity for transport." WorldCom has proposed contract language

which provides for the equal sharing of costs with each carrier providing its fiber and a fiber optic terminal.

Q. Please comment on the statement by the Verizon Panel that a mid-span fiber meet point interconnection "must occur pursuant to mutual agreement between Verizon VA and the CLEC."

A. Verizon is incorrect. WorldCom is entitled to any technically feasible form of interconnection-- and Verizon cannot condition a technically feasible form of interconnection on its approval. The Commission's regulations include meet point interconnection as one of the methods of interconnection which a requesting carrier is entitled to upon request. 47 CFR § 51.321(b)(2). Verizon's insistence that its consent to a mid-span fiber meet point arrangement is required denies WorldCom its right to this technically feasible form of interconnection. If Verizon's consent is required, Verizon can veto this form of interconnection, in violation of WorldCom's rights, as it has every incentive to do.

Q. Please describe the Memorandum of Understanding (MOU) process set forth in the Verizon Panel testimony.

A. The Verizon describes a process in which a MOU is developed to memorialize the terms, conditions, technical and operational details, and rates of the mid-span fiber meet. The Panel goes on to opine that once the MOU is signed it becomes an addendum to the interconnection contract.

Q. Please comment on that process.

A. WorldCom has a right to an interconnection agreement specifying the terms, conditions, technical and operational details, and rates of the mid-span fiber meet. There is no need to defer these matters to a later process. WorldCom has over 40 midspan meets in operations with ILECs as diverse as BellSouth, PacBell, Ameritech, Southwestern Bell, Sprint, and Broadwing. This is not a novel or futuristic process that needs to be further discussed before it is made part of the Interconnection Agreement. The Interconnection Agreement should include these terms:

1.1.2 Verizon shall provide Interconnection at any Technically Feasible point, by any Technically Feasible means, including, but not limited to, a Fiber Meet, at one or more locations in each LATA in which MCIm originates local, intraLATA toll, or Meet Point Switched Access traffic and interconnects with Verizon.

1.1.5 Fiber Meet

1.1.5.1 Fiber Meet is the preferred network Interconnection method of the Parties. Where the Parties interconnect their networks pursuant to a Fiber Meet, the Parties shall jointly engineer and operate the Interconnection as a single SONET transmission system for the transmission and routing of Telephone Exchange Service and Exchange Access.

1.1.5.2 The Parties agree to establish technical interface specifications for Fiber Meet arrangements that permit the successful Interconnection and completion of traffic routed over the facilities that interconnect at the Fiber Meet. Each Party is responsible for designing, provisioning, ownership, and maintenance of all equipment and facilities on its side of the Fiber Meet. The technical specifications will be designed so that each Party may, as far as is Technically Feasible, independently select the transmission, multiplexing, and fiber terminating equipment to be used on its side of the Fiber Meet. The Parties will work cooperatively to achieve equipment compatibility. Requirements for the Interconnection specifications will be defined in joint engineering planning sessions between the Parties. MCIm shall document the specifications as they are developed and distribute them to Verizon. The Parties will use good faith efforts to develop and agree on these specifications within 30 days after the determination by the Parties that the specifications will be implemented, and in any case, prior to the establishment of any Fiber Meet arrangements between them. If the Parties cannot agree on the specifications, the Parties shall implement MCIm's specifications, unless Verizon can prove that such specifications are not Technically Feasible, in which case the Parties shall implement any other Technically Feasible specifications selected by MCIm. Specifications are presumed to be Technically Feasible if Verizon or any other ILEC has previously implemented the same specifications.

1.1.5.2.1 Unless otherwise specified by MCIm, the minimum data rate hand off of the SONET transmission system must be at OC-48 or higher. Unless otherwise requested by MCIm, the Parties shall turn the Data Communication Channel (DCC) of the SONET signal containing alarm, surveillance, and performance information to off.

1.1.5.2.2 Verizon shall, wholly at its own expense, procure, install, and maintain the specified Fiber Optic Terminal (FOT) equipment in each Verizon Wire Center where the Parties establish a Fiber Meet. The FOT must have capacity sufficient to provision and maintain all logical trunk groups in accordance with the requirements of this Attachment IV.

1.1.5.2.3 MCIm shall, wholly at its own expense, procure, install and maintain the specified FOT equipment in each MCIm Wire Center where the Parties establish a Fiber Meet. The FOT must have capacity sufficient to provision and maintain all logical trunk groups in accordance with the requirements of this Attachment IV.

1.1.5.2.4 MCIm shall designate a manhole or other suitable entry way located outside Verizon's Wire Center as a Fiber Meet facility hand off point and shall make all necessary preparations to receive, and to allow and enable MCIm to deliver, fiber optic facilities into that manhole, providing sufficient spare length of Optical Fire Resistant (OFR) cable to reach the FOT equipment in Verizon's Wire Center. MCIm shall deliver and maintain such strands wholly at its own expense. Verizon shall take the fiber from the manhole and terminate it inside Verizon's Wire Center in the FOT equipment at Verizon's expense.

1.1.5.2.5 MCIm shall designate a manhole or other suitable entry way outside MCIm's Wire Center as a Fiber Meet facility hand off point and shall make all necessary preparations to receive, and to allow and enable Verizon to deliver, fiber optic facilities into that manhole, providing sufficient spare length of OFR cable to reach the FOT equipment in MCIm's Wire Center. Verizon shall deliver and maintain such strands

wholly at its own expense. MCIm shall take the fiber from the manhole and terminate it inside MCIm's Wire Center in the FOT equipment at MCIm's expense.

1.1.5.2.6 Alternatively, MCIm may designate a common facility hand off point between the Parties' networks. Both Parties shall deliver their fiber optic facilities into that common facility hand off point, providing sufficient spare length of OFR cable to enable a SEICOR closure. Each Party shall be responsible for the delivery and maintenance of facilities on its side of the common facility hand off point at its own expense.

1.1.5.2.7 Each Party shall use its best efforts and cooperate with the other to ensure that fiber received from the other Party will enter the Party's Wire Center through a facility hand off point separate from that which the Party's own fiber exited. Each Party shall research the fiber routes to ensure diversity and report to the other Party in writing the location and distance of fiber running in close proximity.

1.1.5.2.8 Subject to the security requirements specified in this Agreement, each Party shall allow the other access to the Fiber Meet entry points for maintenance purposes upon oral request.

Q. The Verizon Panel says that the selection of a fiber meet point interconnection should not be at the discretion of the requesting carrier because this form of interconnection requires a high degree of joint provisioning, maintenance, and utilization. Please comment on this.

A. As discussed above briefly, and more thoroughly at pages 63-70 of the Direct Testimony of Donato Grieco and Gary Ball, WorldCom is entitled to any technically

feasible form of interconnection, including a fiber meet point method of interconnection, upon request. Much of the needed detail can be included in the interconnection agreement now. Verizon's approach is to agree to none of this now and to defer everything to a future time.

Issue III-5

Should the Interconnection Agreement include terms specifying that rates for transport and termination of Local Traffic must be symmetrical; specifying the transport and termination rates to be applied, including rates for tandem switching, transport to an end office, and end office switching; and specifying that where WorldCom's switch serves a geographic area comparable to the area served by Verizon's tandem switch, WorldCom shall charge for tandem switching?

Q. Please summarize Verizon's objections to WorldCom's proposed language.

A. WorldCom's position on this issue is faithful to the requirements of the Telecommunications Act of 1996, the FCC's First Report and Order, and the FCC's recent clarification on this issue found in the FCC's Intercarrier Compensation NPRM. Verizon continues to ignore these requirements and argues that:

- "If a CLEC's network and services are such that its costs are lower, the CLEC's compensation should be lower." (page 25, ln 18 – 20)
- "[I]f interconnection is such that CLEC traffic is not routed through a tandem, then the CLEC should not receive a tandem-switched rate." (page 25, ln 20 –22)
- "CLECs should be required to demonstrate actual <u>functional</u> and geographic comparability for each of their switches, and should not receive tandem

switching rates unless each switch actually serves a geographically disperse customer base." [Emphasis added] (page 26 ln 22 – 23, page 27 ln 1 – 2)

These positions are not consistent with FCC rules that govern this issue and are not supportable.

Q. Are a CLEC's costs to transport and terminate traffic on its network relevant with regard to determining whether the CLEC is to be compensated at an end office rate or tandem rate?

A. No. As outlined in the July 31 Direct Testimony, the FCC, in its Local Competition Order at paragraph 1085, concluded that the ILEC's reciprocal compensation rates should be adopted as the "presumptive proxy" for the CLEC's rates. The only exception to this is when a CLEC wants to establish that its transport and termination costs are higher than those of the ILEC.

The FCC anticipated that a CLEC's costs could be lower than the costs of the ILEC. At paragraph 1086 of the Local Competition Order the FCC states, "CLECs would have the correct incentives to minimize their costs because their termination revenues would not vary directly with changes in their costs."

Contrary to Verizon's assertion, a CLEC's costs do not have any bearing on the level of reciprocal compensation that is appropriate for a CLEC's transport and termination activities.

Q. Is a CLEC required actually to deploy a tandem network architecture with subtending end offices in order to qualify for tandem level reciprocal compensation?

A. No. The FCC recognized that CLECs most likely would not be deploying the same network architecture as the ILECs. It is this recognition that is embodied in FCC Rule 51.711(a)(3) which states:

> Where the switch of a carrier other than an incumbent LEC serves a geographic area comparable to the area served by the incumbent LEC's tandem switch, the appropriate rate for the carrier other than an incumbent LEC is the incumbent LEC's tandem interconnection rate.

This provision would not be needed if in fact the FCC had intended that a CLEC must deploy a tandem with subtending end offices. Verizon's attempt to impose this requirement is simply an attempt to force a CLEC competitor to mirror the Verizon network architecture. Such a result would not encourage new entrants to deploy the most efficient network.

Q. Is Verizon's position that a CLEC's switch must perform tandem switch functions and serve a geographic comparable area in order to be compensated at the tandem level supported by the rules?

A. No. As stated above, FCC Rule 51.711 requires that a CLEC's be compensated at the tandem rate level if its switch serves a geographic area comparable to that served by the ILEC's tandem switch. A functionality test is appropriate only in the event that a CLEC's switch does not serve a geographic area comparable to the ILEC's tandem switch. And, even then the FCC has directed state commissions to "consider whether

new technologies (e.g., fiber ring or wireless networks) perform functions similar to those performed by an incumbent LEC's tandem switch." (Local Competition Order ¶ 1090). Verizon's two-prong test (functionality and geographic comparability) is inconsistent with FCC rules.

Q. Verizon asserts that a CLEC switch must serve a geographically dispersed customer base in order to qualify for tandem rates. Please comment.

A. This is an incorrect interpretation of the requirements in the rules. Again, § 51.711(a)(3) requires that the CLEC's switch serve "a geographic area comparable to the incumbent LEC's tandem switch." There is no requirement for the CLEC to have a "geographically dispersed customer base." A review of a CLEC's customer base may provide insight into its marketing and sales success, but does not demonstrate the service area of a CLEC's switch.

Q. Please describe generally how WorldCom determine what geographic area their networks will serve?

A. Going back in time somewhat, many CLECs today were once competitive access providers (CAPs). CAPs originally had fiber transmission resources that were utilized to provide competitive offerings of dedicated private line / special access services. When changes in the law gave them the opportunity to compete for customers in the switched services market, many companies, such as WorldCom, looked at their CAP operations and determined how well the geographic reach of those fiber facilities matched the location of the perceived demand for local switched services. If it was determined that

the existing fiber facilities, perhaps supplemented with additional fiber, had a geographic scope that reached a sufficient potential market share, a local switch was deployed. Once the switch was deployed, numbering resources (NPA/NXXs) were acquired and opened up for those rate centers which were within the physical reach of the network.

Q. Explain what you mean by physical reach of the network.

A. Simply that if a CLEC has established network facilities and opened NPA/NXXs which allow end users within rate centers to originate and terminate local exchange service, such rate centers would be considered within the physical or geographic reach of the CLEC's network regardless of the number of customers the CLEC has been able to attract.

Q. How does WorldCom expand the geographic reach of its local network?

A. WorldCom looks to four methods of placement and/or leasing of facilities to expand their geographic service areas.

a) establishment of a collocation arrangement within an ILEC wire center and the provision of transport facilities between the collocation arrangement and the CLEC switch;

b) establishment of a local node which establishes a physical point on the fiber transport facilities that allows customer access to local switched services;

c) extension of the fiber network (also potentially a component of the previous two options); and

d) the purchase of enhanced extended links (EELs), as part of the CLEC's leased network, which are used to reach geographic areas where the CLEC's physical network does not currently reach.

It is important to note that, due to the CLEC's choice of network architecture, placement of a new switch is not considered in conjunction with expanding the geographic reach of the local network. The reason for this is that the cost of placing a new switch to expand geographic reach is cost prohibitive relative to the deployment of additional fiber. Accordingly any requirement to have multiple switches as evidence of a "geographically comparable" network is not only inconsistent with the FCC's rules but fails to recognize the differences in network architectures.

Q. How does the physical reach of the network you describe relate to the Verizon's proposed requirement that a CLEC serve a geographically dispersed customer base?

A. While a CLEC is always balancing demand with network reach, there is no guarantee that the CLEC will be successful in gaining market share from the entrenched monopolist incumbent. As the discussion above indicates, a CLEC must make an investment in its network prior to being able to serve customers. To the extent that a CLEC is slow to add customers after making a network investment, it only makes the CLEC's costs, on a per customer or per minute basis, extremely expensive.

It would be far more representative of the geographic area served to consider the network utilized by the CLEC. For example, a review of the rate centers the CLEC has

opened by activating associated NPA-NXXs, which would be served by the CLEC's network would be indicative of the "reach" of that network.

Again, the CLEC's network must be considered with regard to the question of geographic comparability, not a test of the CLEC's marketing success.

Q. Please summarize WorldCom's position on the symmetry issue.

A. The current rules do not support Verizon's position. If a CLEC's switch serves a geographic area comparable to that served by the ILEC's tandem switch, the CLEC is to be compensated at the tandem rate. There is no need for tandem functionality to be demonstrated in the event the switch serves a comparable geographic area. Further, Verizon's proposal that a CLEC serve a particular customer base must be rejected as this too is unsupported by the rules. A CLEC must not be required to gain market share from the ILEC in order to qualify for the tandem rate.

Issue IV-1

How should third party transit traffic be routed and billed by the parties?

Q. The Verizon Panel criticized WorldCom's proposal that Verizon make arrangements with third parties for compensation owed for call termination because it does not compensate Verizon for the charges the receiving carrier levies on Verizon for the termination of such traffic. Please comment on this.

A. This criticism represents a mischaracterization of the WorldCom proposal. WorldCom proposes that Verizon collect the compensation which is owed from the originating carrier and then remit the compensation to the terminating carrier. Under the proposal, Verizon is compensated by the originating carrier.

Q. The other reason advanced by Verizon in opposition to this proposal is that it obviates the need for WorldCom to interconnect directly with other carriers. Please comment on this.

A. As previously noted, WorldCom is entitled under the Act to interconnect indirectly—and indirect interconnection is an efficient choice where two carriers exchange minimal amounts of traffic. Similarly, WorldCom's proposal that Verizon bill originating carriers for reciprocal compensation on transit traffic and remit the proceeds to the terminating carrier is an efficient process which minimizes the total number of bills to be exchanged by all carriers.

Issue IV-2

Is Verizon obligated to provide and use two-way trunks that carry each party's traffic?

Q. In its testimony, the Verizon Panel indicated that Verizon does not believe that it has the right to refuse to use two-way trunks. Please comment on this testimony.

A. The Verizon testimony is not consistent with Verizon's actions. If Verizon understands that it is required to provide two-way trunking upon request, it should accept the contract language proposed by WorldCom which embodies this rule:

> Unless otherwise indicated in this Agreement, trunks will be provisioned as one-way or two-way trunks as specified by MCIm.

Because Verizon has not accepted this language, the Commission should order its adoption consistent with the regulation which provides that "If technically feasible, an incumbent LEC shall provide two-way trunking upon request." 47 CFR § 51.305(f).

Q. The Verizon Panel goes on to say that the parties must agree on the standards for two-way trunking and reflect that understanding in the Interconnection Agreement. Please comment on this.

A. WorldCom has proposed detailed standards for two way trunking for inclusion in the Interconnection Agreement during recent negotiations. However, Verizon has refused to adopt any detailed two-way trunking standards unless they also incorporate Verizon's VGRIPs proposal. The detailed engineering and operational standards for two-way trunking proposed by WorldCom during recent negotiations are as follows:

Two-Way Interconnection Trunks.

Where Two-Way Local Interconnection Trunks may be used under the terms of this agreement, prior to ordering any Two-Way Local Interconnection Trunks from Verizon, MCIm shall meet with Verizon to conduct a joint planning meeting ("Joint Planning Meeting"). At that Joint Planning Meeting, each Party shall provide to the other Party originating CCS (Hundred Call Second) information, and the Parties shall mutually agree on the appropriate initial number of Two-Way End Office (as used herein, a.k.a. in other jurisdictions - Meet Point A (high usage)) and Tandem (as used herein, a.k.a. in other jurisdictions - Meet Point B (final))Local Interconnection Trunks and the interface specifications (i.e., DS1 or DS-3) at the Point of Interconnection ("POI"). At such Joint Planning Meetings,

the information provided shall use an economic CCS equal to five (5). A two-way trunk group must be installed from a Verizon End Office or Verizon Tandem to an appropriate POI (as such POI is determined under the terms of this agreement).

On a semi-annual basis, MCIm shall submit a good faith forecast to Verizon of the number of End Office and Tandem Two-Way Local Interconnection Trunks that MCIm anticipates that Verizon will need to provide during the ensuing two (2) year period.

The Parties shall meet (telephonically or in person) from time to time, as needed, to review data on End Office and TandemTwo-Way Local Interconnection Trunks to determine the need for new trunk groups and to plan any necessary changes in the number of Two-Way Local Interconnection Trunks.

Two-Way Local Interconnection Trunks shall have SS7 Common Channel Signaling. The Parties agree to utilize B8ZS and Extended Super Frame (ESF) DS1 facilities, where available.

Two-Way Local Interconnection Trunk groups that connect to a Verizon access Tandem shall be engineered using a design blocking objective of Neal-Wilkenson B.005 during the average time consistent busy hour; Two-Way Local Interconnection Trunk groups that connect to a Verizon local Tandem shall be

engineered using a design blocking objective of Neal Wilkenson B.01 during the average time consistent busy hour. Verizon and MCIm shall engineer Two-Way Local Interconnection Trunks using national standards.

MCIm shall determine and order the number of Two-Way Local Interconnection Trunks that are required to meet the applicable design blocking objective for all traffic carried on each Two-Way Local Interconnection Trunk group. MCIm shall order Two-Way Local Interconnection Trunks by submitting ASRs to Verizon setting forth the number of Two-Way Local Interconnection Trunks to be installed and their respective CFAs and the requested installation dates within Verizon's effective standard intervals or negotiated intervals, as appropriate. MCIm shall complete ASRs in accordance with Ordering and Billing Forum Guidelines as in effect from time to time.

Verizon may monitor Two-Way Local Interconnection Groups using service results for the applicable design blocking objective. If Verizon observes blocking in excess of the applicable design objective on any final Two-Way Local Interconnection Trunk group (which, for the avoidance of any doubt, does not include blocking due to anomalies) and MCIm has not notified Verizon that it has corrected such blocking, Verizon may submit to MCIm a Trunk Group Service Request directing MCIm to remedy the blocking. Upon receipt of a Trunk Group Service Request, MCIm will, within five (5) business days, complete and submit

to Verizon an ASR to augment such final Two-Way Local Interconnection Group in order to eliminate such blocking.

The standard on final Two-Way Local Interconnection Trunks is that no such Local Interconnection Trunk group will exceed its design blocking objective (B.005 or B.01, as applicable) for three (3) consecutive calendar traffic study months.

Because Verizon will not be in control of the timing and sizing of the Two-Way Local Interconnection Trunks between its network and MCIm's network, Verizon's performance on these Two-Way Local Interconnection Trunk groups shall not be subject to any performance measurements and remedies under this Agreement, and, except as otherwise required by Applicable Law, under any FCC or Commission approved carrier-to-carrier performance assurance guidelines or plan.

Upon three (3) months prior written notice and with the mutual agreement of the Parties, either Party may withdraw its traffic from a Two-Way Local Interconnection Trunk group and install One-Way Local Interconnection Trunks to the applicable POI. Additionally, subject to mutual agreement, the Parties may establish project intervals and a conversion process by which MCIm may request that Verizon convert existing One-Way trunk groups to Two-Way trunk groups. If the Parties have established a primary high usage trunk group from an end office, the first route choice will be that trunk group. The Parties shall route traffic in accordance with Telcordia SR-TAP 191.

All charges, both non-recurring and recurring, associated with interconnecting trunk groups between Verizon and MCIm are set forth in the Pricing Attachment of this Agreement. For two-way trunking that carries both Parties' traffic, including trunking that carries Transit Traffic, each Party shall pay its proportionate share of the recurring charges for transport facilities based on the percentage of the total traffic originated by that Party. MCIm shall determine the applicable percentages four times per year based on the previous quarter's minutes of use billed by each Party. Each Party shall pay fifty percent (50%) of the nonrecurring charges for initial facilities based on the joint forecasts for circuits required by each Party.

Q. Please comment on Verizon's position that it will not agree to two-way trunking terms unless the Interconnection Agreement reflects Verizon's VGRIPs proposal.

A. The terms proposed above do not adopt either Verizon's or WorldCom's position on the point of interconnection issue. These terms address two-way trunking as an independent issue. The Interconnection Agreement can and should contain detailed two-way trunking terms, as set forth above, independent of the point of interconnection issue. There is no reason to link the two issues.

Q. Does this conclude your testimony?

A. Yes.

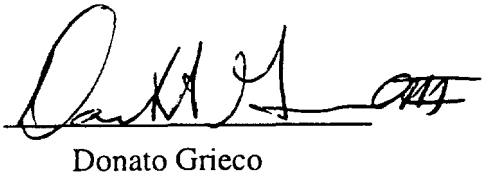
BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION

In the Matter of	)	
Petition of WorldCom, Inc. Pursuant	)	
to Section 252(e)(5) of the	)	
Communications Act for Expedited	)	
Preemption of the Jurisdiction of the	)	CC Docket No. 00-218
Virginia State Corporation Commission	)	
Regarding Interconnection Disputes	)	
with Verizon-Virginia, Inc., and for	)	
Expedited Arbitration	)	

Declaration of DonatoGrieco

I, Donato Grieco, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed this 8th day of August, 2001.



Donato Grieco

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION

In the Matter of	)	
Petition of WorldCom, Inc. Pursuant	)	
to Section 252(e)(5) of the	)	
Communications Act for Expedited	)	
Preemption of the Jurisdiction of the	)	CC Docket No. 00-218
Virginia State Corporation Commission	)	
[illegible]	)	
[illegible]	)	

Declaration of Gary Ball

I, Gary Ball, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed this 10th day of August, 2001.

Gary Ball